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CHARTER TOWNSHIP OF MONITOR BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS DECEMBER 31, 2005

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RSM McGladrey Network

An Independently Owned Member

REVISED

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

09-1100

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Monitor	County Bay
Fiscal Year End December 31, 2005	Opinion Date April 28, 2006	Date Audit Report Submitted to State June 21, 2006	

We affirm that:

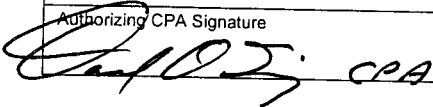
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Subsequently issued, not part of original reporting package	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Weinlander Fitzhugh	Telephone Number 989-893-5577		
Street Address 1600 Center Avenue	City Bay City	State MI	Zip 48708
Authorizing CPA Signature 	Printed Name David D. Quimby CPA	License Number 1101015265	

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INDEPENDENT AUDITORS' REPORT

April 28, 2006

Township Board
Charter Township of Monitor
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Monitor, Bay County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Downtown Development Authority, a component unit, which statements reflect total assets of \$1,046,114 as of December 31, 2005, and total revenues of \$260,242 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Downtown Development Authority, is based on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Charter Township of Monitor as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

Township Board
Charter Township of Monitor
April 28, 2006
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monitor Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

Our discussion and analysis of the Charter Township of Monitor's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005.

Financial Highlights

State shared revenues accounted for \$681,905 or 46% of the Township's general fund revenues. In addition, tax collection revenue accounted for \$377,743 or 26% of the Township's general fund revenues. The general fund reported an increase in fund balance of \$67,662.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Charter Township of Monitor financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General Fund, Solid Waste Fund, and Sewage Disposal System Fund with all other funds presented in one column as nonmajor funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Government-wide financial statements for the Township's water and sewer operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund, Solid Waste Fund, and the Sewage Disposal Fund
(Required Supplemental Information)

Other Supplemental Information

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into three kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the fire, trash, inspection, drains and general administration. Sales taxes (stated shared revenues), property taxes and franchise fees finance most of these activities.
- Business Type Activities – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's water and sewer systems are reported here.
- Component Unit – The Township includes the Downtown Development Authority in their report. Although legally separate, this component unit is important because the Township is financially accountable for them.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

Governmental Funds

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

These funds present the Township's water and sewer operations that are managed by the Bay County Department of Water and Sewer and the Township. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2005.

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections and (other funds). All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of December 31, 2005 and 2004.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

<u>Exhibit A</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Current and other assets	\$ 4,908,000	\$ 4,959,517	\$ 1,673,477	\$ 1,633,515	\$ 6,581,477	\$ 6,593,032
Capital assets - net of accumulated depreciation	<u>517,898</u>	<u>479,916</u>	<u>9,359,312</u>	<u>9,626,931</u>	<u>9,877,210</u>	<u>10,106,847</u>
Total assets	<u>5,425,898</u>	<u>5,439,433</u>	<u>11,032,789</u>	<u>11,260,446</u>	<u>16,458,687</u>	<u>16,699,879</u>
Liabilities						
Current liabilities	1,565,535	1,772,884	797,472	660,875	2,363,007	2,433,759
Long-term liabilities	<u>82,341</u>	<u>76,066</u>	<u>1,344,823</u>	<u>1,840,960</u>	<u>1,427,164</u>	<u>1,917,026</u>
Total liabilities	<u>1,647,876</u>	<u>1,848,950</u>	<u>2,142,295</u>	<u>2,501,835</u>	<u>3,790,171</u>	<u>4,350,785</u>
Net Assets						
Invested in property and equipment - net of related debt	402,495	479,916	7,422,267	7,228,578	7,824,762	7,708,494
Restricted	1,686,108	1,558,559	0	0	1,686,108	1,558,559
Unrestricted	<u>1,689,419</u>	<u>1,552,008</u>	<u>1,468,227</u>	<u>1,530,033</u>	<u>3,157,646</u>	<u>3,082,041</u>
Total net assets	<u>\$ 3,778,022</u>	<u>\$ 3,590,483</u>	<u>\$ 8,890,494</u>	<u>\$ 8,758,611</u>	<u>\$ 12,668,516</u>	<u>\$ 12,349,094</u>

Exhibit A focuses on net assets. The Township's total net assets were \$12,668,516 at December 31, 2005. Capital assets net of related debt, totaling \$7,824,762 compares the original cost, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$1,686,108 are reported separately to show legal constraints that limit the Township's ability to use those net assets for day-to-day operations.

The \$3,157,646 of unrestricted net assets of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the general, special revenue, and enterprise funds will have a significant impact on the change in unrestricted assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the years ended December 31, 2005. Exhibit B provides a summary of the Township's operations for the year December 31, 2005 and 2004.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Exhibit B</u>						
Revenue						
Program revenue:						
Charges for services	\$ 587,241	\$ 556,205	\$ 1,316,291	\$ 1,226,393	\$ 1,903,532	\$ 1,782,598
Grants and contributions	0	0	448,530	475,108	448,530	475,108
General revenue:						
Taxes	1,086,691	1,080,704	0	0	1,086,691	1,080,704
State shared revenue	681,905	680,082	0	0	681,905	680,082
Investment income	76,632	44,044	46,119	18,039	122,751	62,083
Other	264,376	221,980	0	0	264,376	221,980
Total revenue	<u>2,696,845</u>	<u>2,583,015</u>	<u>1,810,940</u>	<u>1,719,540</u>	<u>4,507,785</u>	<u>4,302,555</u>
Function/Program Expenses						
Legislative	36,968	38,993	0	0	36,968	38,993
General government	520,088	612,302	0	0	520,088	612,302
Public safety	715,044	619,165	0	0	715,044	619,165
Public works	205,955	168,362	0	0	205,955	168,362
Recreation activities	32,047	10,894	0	0	32,047	10,894
Sanitation	420,298	397,433	0	0	420,298	397,433
Other	96,917	10,577	0	0	96,917	10,577
Payment to enterprise fund	448,530	475,108	0	0	448,530	475,108
Water and sewer	0	0	1,679,057	1,516,261	1,679,057	1,516,261
Total expenses	<u>2,475,847</u>	<u>2,332,834</u>	<u>1,679,057</u>	<u>1,516,261</u>	<u>4,154,904</u>	<u>3,849,095</u>
Increase in Net Assets	<u>\$ 220,998</u>	<u>\$ 250,181</u>	<u>\$ 131,883</u>	<u>\$ 203,279</u>	<u>\$ 352,881</u>	<u>\$ 453,460</u>

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

As reported in the statement of activities, the cost of all of our governmental and business-type activities this year was \$4,154,904. Certain activities were partially funded by \$1,903,532 from those who benefited from the programs, or by the other Townships and organizations that subsidized certain programs with contributions of \$448,530. We paid for the remaining "public benefit" portion of our governmental and business-type activities with \$1,086,691 in taxes, \$681,905 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The governmental activities net assets experienced an increase of \$220,998 resulting from an increase in revenue received for governmental services rendered and the increase in interest rates in investment earnings. Actual expenses increased \$143,013 during 2005, an increase of approximately 5% from 2004. The majority of these expenses are associated to services provided for public safety, including fire department and law enforcement, public works, and recreation costs.

The water and sewer funds experienced an increase of \$131,883 resulting from an excess of customer charges over expenditures for the year.

The Township's Funds

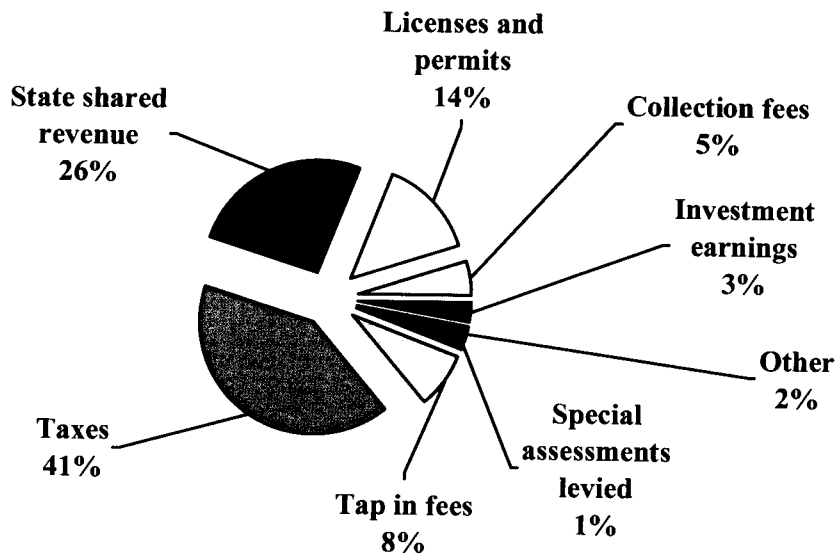
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's governmental funds reported a combined fund balance of \$3,387,798, which is an increase from last year's total of \$3,192,587. The schedule below details the fund balance and the total change in fund balances as of December 31, 2005.

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General fund	\$ 1,701,690	\$ 1,634,028	\$ 67,662
Special revenue funds	1,421,168	1,335,251	85,917
Capital projects fund	264,940	223,308	41,632
Total	<u>\$ 3,387,798</u>	<u>\$ 3,192,587</u>	<u>\$ 195,211</u>

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

The graph below details the major sources of the Township's total governmental revenues.



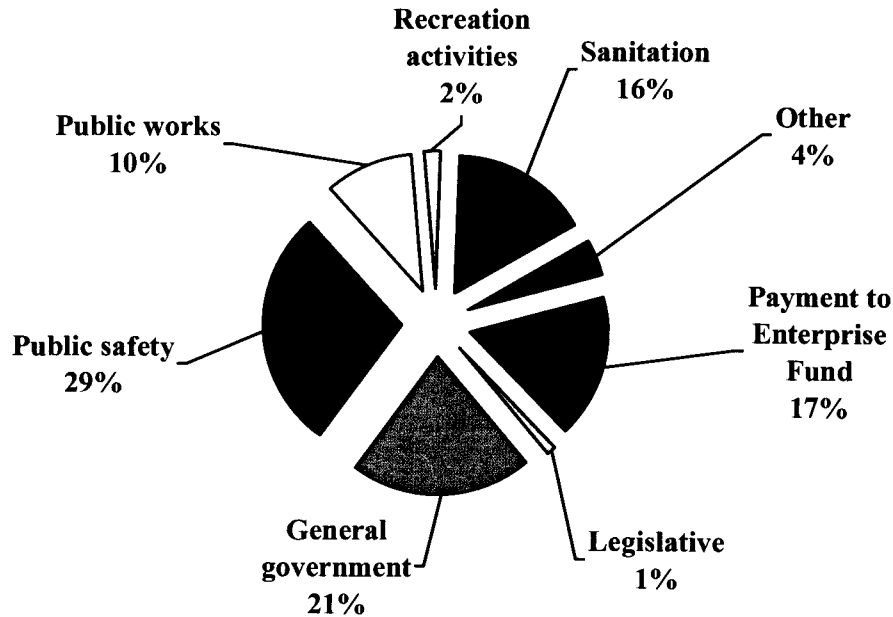
The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	2005	2004	Percentage Change
Taxes	\$ 1,087,000	\$ 1,081,000	1%
Tap-in fees	205,000	171,000	20%
Collection fees	142,000	126,000	13%
State shared revenue	682,000	680,000	0%
Special assessments levied	31,000	34,000	-9%
Investment earnings	77,000	44,000	75%
Licenses and permits	382,000	385,000	-1%
Other	50,000	44,000	14%
Total	<u>\$ 2,656,000</u>	<u>\$ 2,565,000</u>	<u>4%</u>

Overall, 2005 revenues are up \$91,000 or 4% mainly due to the receipts of sewer permits for new construction projects and development in the Township.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

The graph below details the total governmental expenditure categories of the Township.



The chart below compares current year expenditures with last year.

	2005	2004	Percentage Change
<i>Expenditures by Function</i>			
Legislative	\$ 37,000	\$ 39,000	-5%
General government	544,000	586,000	-7%
Public safety	722,000	605,000	19%
Public works	249,000	203,000	23%
Recreation activities	43,000	11,000	291%
Sanitation	420,000	397,000	6%
Other	97,000	56,000	73%
Payment to Enterprise Fund	449,000	475,000	-5%
Total	<u>\$ 2,561,000</u>	<u>\$ 2,372,000</u>	<u>8%</u>

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

Expenditures are up \$189,000 from the prior year mostly due to the increased costs to provide public safety services.

Water and Sewer System Funds -The Township's proprietary funds (the Bay County DWS Monitor Water and Sewer Enterprise Funds and the Township Water Fund) reported net assets of \$8,890,000, which is an increase of approximately \$130,000 over last year's net assets of \$8,760,000. Operating revenues exceeded operating expenses for the year.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the general fund original budget were as follows:

- Budgeted expenditures increased by about \$16,100 during the fiscal year. The change was not significant.
- Actual revenues for the year were \$94,375 more than anticipated during the fiscal year. Higher investment income returns and licenses and permits contributed to the increase.
- Actual expenditures for the year were \$271,277 less than anticipated, mainly due to the uncertainty of state revenue sharing cuts. It was anticipated that the expenditures contained in the 2005 budget would exceed projected revenue by \$297,990. To be fiscally responsible, budget expenditures were limited to projected revenue amounts. The Township is also contracted for a percentage of the costs associated with critical bridge funding to replace two bridges in the township. Some of these projected costs will be delayed until 2006.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

Capital Assets

At December 31, 2005, the Township had \$19.6 million invested in a broad range of capital assets, including land, buildings, equipment, transportation equipment, water and sewer systems. This amount represents a net increase (including additions and disposals) of approximately \$62,000 from last year.

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 88,112	\$ 88,112	\$ 8,787	\$ 8,787	\$ 96,899	\$ 96,899
Buildings and improvements	856,816	790,048	0	0	856,816	790,048
Vehicles	357,351	477,037	0	0	357,351	477,037
Equipment	118,895	100,764	0	0	118,895	100,764
Water system	0	0	4,958,265	4,861,540	4,958,265	4,861,540
Sewer System	0	0	13,219,303	13,219,303	13,219,303	13,219,303
 Total capital assets	 1,421,174	 1,455,961	 18,186,355	 18,089,630	 19,607,529	 19,545,591
 Less accumulated depreciation	 903,275	 976,045	 8,827,043	 8,462,699	 9,730,318	 9,438,744
 Net capital assets	 <u>\$ 517,899</u>	 <u>\$ 479,916</u>	 <u>\$ 9,359,312</u>	 <u>\$ 9,626,931</u>	 <u>\$ 9,877,211</u>	 <u>\$ 10,106,847</u>

This year's additions for governmental activities of \$84,899 included bathroom renovations, playground equipment and pavement of Township parking lot. No debt was issued for this equipment.

This year's additions for business-type activities of \$96,725 included equipment and system improvements.

We present more detailed information about our Governmental Activities capital assets in the notes to the financial statements. We do not anticipate any significant capital additions in the next year.

Capital additions to our business-type activities for next year have not been determined.

Charter Township of Monitor
Management's Discussion & Analysis
For the Year Ended December 31, 2005

Debt

At the end of this year, the Township had \$2 million in long-term debt outstanding versus \$2.4 million in the previous year. The Township's debt is related to water and sewer system improvements, reported in the proprietary funds, and drainage district bonds and notes reported in the governmental funds. This debt is summarized as follows:

	2005	2004
Governmental	\$ 111,987	\$ 94,918
Proprietary	1,919,313	2,377,617
	<u>\$ 2,031,300</u>	<u>\$ 2,472,535</u>

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. As in prior years, the Township has faced a continued increase in the costs for health care benefits and property insurance premiums. There are many roads in the Township that require improvements, as well as increased costs to provide public safety services.

The Township will need to seek an increase in revenue and continue to adjust its expenditures.

The Township residents may be asked to support an operational millage, or township special assessment, to balance the revenue shortfalls.

Contacting The Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 2483 E. Midland Road, Bay City, MI 48706.

Charter Township of Monitor
Statement of Net Assets
December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 3,391,529	\$ 1,415,979	\$ 4,807,508	\$ 403,683
Receivables:				
Accounts receivable	12,895	224,212	237,107	0
Assessment receivable	495,078	0	495,078	0
Accrued interest receivable	16,410	8,834	25,244	0
Taxes receivable	544,956	0	544,956	131,809
Prepaid expenses	49,704	2,449	52,153	0
Due from fiduciary funds	392,915	0	392,915	0
Due from other governments	4,512	22,003	26,515	0
Capital assets less accumulated depreciation	517,899	9,359,312	9,877,211	510,622
 Total assets	 5,425,898	 11,032,789	 16,458,687	 1,046,114
<u>Current Liabilities</u>				
Accounts payable	96,873	184,050	280,923	60,434
Accrued payroll	0	511	511	0
Accrued interest payable	3,417	17,732	21,149	0
Accrued liabilities	34,326	0	34,326	0
Deferred revenue	1,383,735	0	1,383,735	131,809
Deposits	5,267	0	5,267	0
Compensated absences	0	3,103	3,103	0
Bonds and notes payable	41,917	592,076	633,993	8,268
Total current liabilities	1,565,535	797,472	2,363,007	200,511
<u>Long-term Liabilities</u>				
Compensated absences	12,271	17,586	29,857	0
Bonds and notes payable	70,070	1,327,237	1,397,307	2,900
Total long-term liabilities	82,341	1,344,823	1,427,164	2,900
 Total liabilities	 1,647,876	 2,142,295	 3,790,171	 203,411
<u>Net Assets</u>				
Investment in capital assets - net of related debt	402,495	7,422,267	7,824,762	510,622
Restricted	1,686,108	0	1,686,108	0
Unrestricted	1,689,419	1,468,227	3,157,646	332,081
 Total net assets	 \$ 3,778,022	 \$ 8,890,494	 \$ 12,668,516	 \$ 842,703

See accompanying notes to financial statements.

Charter Township of Monitor
Statement of Activities
For the Year Ended December 31, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:							
Legislative	\$ 36,968	\$ 0	\$ 0	\$ (36,968)	\$ 0	\$ (36,968)	\$ 0
General government	520,088	0	0	(520,088)	0	(520,088)	0
Public safety	715,044	381,902	0	(333,142)	0	(333,142)	0
Public works	205,955	0	0	(205,955)	0	(205,955)	0
Recreation activities	32,047	0	0	(32,047)	0	(32,047)	0
Sanitation	420,298	0	0	(420,298)	0	(420,298)	0
Other	96,917	0	0	(96,917)	0	(96,917)	0
Payment to enterprise fund	448,530	205,339	0	(243,191)	0	(243,191)	0
Total governmental activities	2,475,847	587,241	0	(1,888,606)	0	(1,888,606)	0
Business-type activities:							
Water	657,019	708,397	0	0	51,378	51,378	0
Sewer	1,022,038	607,894	448,530	0	34,386	34,386	0
Total business-type activities	1,679,057	1,316,291	448,530	0	85,764	85,764	0
Total primary government	\$4,154,904	\$ 1,903,532	\$ 448,530	(1,888,606)	85,764	(1,802,842)	0
Component Units:							
Downtown Development Authority	\$ 125,688	\$ 0	\$ 0	0	0	0	(125,688)
Total component units	\$ 125,688	\$ 0	\$ 0	0	0	0	(125,688)
General Revenues:							
Taxes				1,086,691	0	1,086,691	181,661
State shared revenue				681,905	0	681,905	0
Gain on sale of land				0	0	0	70,946
Investment earnings				76,632	46,119	122,751	7,635
Other				264,376	0	264,376	0
Total general revenues				2,109,604	46,119	2,155,723	260,242
Change in net assets				220,998	131,883	352,881	134,554
Net assets - beginning of year as previously reported				3,590,483	0	3,590,483	0
Prior period adjustment				(33,459)	0	(33,459)	0
Net assets - beginning of year as restated				3,557,024	8,758,611	12,315,635	708,149
Net assets - end of year				\$ 3,778,022	\$ 8,890,494	\$12,668,516	\$ 842,703

See accompanying notes to financial statements.

Charter Township of Monitor
Governmental Funds
Balance Sheet
December 31, 2005

	General	Solid Waste	Sewage Disposal System	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>					
Cash and investments	\$ 1,625,217	\$ 109,239	\$ 966,791	\$ 690,282	\$ 3,391,529
Receivables:					
Taxes receivable	342,833	0	202,123	0	544,956
Assessment receivable	0	281,335	213,743	0	495,078
Interest receivable	10,156	0	6,254	0	16,410
Accounts receivable	12,895	0	0	0	12,895
Due from fiduciary funds	193,899	147,444	51,572	0	392,915
Due from other governments	4,512	0	0	0	4,512
Due from governmental funds	32,762	0	0	0	32,762
Prepaid expenditures	49,184	520	0	0	49,704
Total assets	<u>\$ 2,271,458</u>	<u>\$ 538,538</u>	<u>\$ 1,440,483</u>	<u>\$ 690,282</u>	<u>\$ 4,940,761</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 61,898	\$ 34,975	\$ 0	\$ 0	\$ 96,873
Accrued liabilities	15,085	0	0	19,241	34,326
Due to governmental funds	0	74	0	32,688	32,762
Deferred revenue	487,518	428,779	467,438	0	1,383,735
Deposits	5,267	0	0	0	5,267
Total liabilities	<u>569,768</u>	<u>463,828</u>	<u>467,438</u>	<u>51,929</u>	<u>1,552,963</u>
<u>Fund Balances</u>					
Reserved	0	74,710	973,045	638,353	1,686,108
Unreserved:					
Undesignated	1,701,690	0	0	0	1,701,690
Total fund balance	<u>1,701,690</u>	<u>74,710</u>	<u>973,045</u>	<u>638,353</u>	<u>3,387,798</u>
Total liabilities and fund balance	<u>\$ 2,271,458</u>	<u>\$ 538,538</u>	<u>\$ 1,440,483</u>	<u>\$ 690,282</u>	<u>\$ 4,940,761</u>

See accompanying notes to financial statements.

Charter Township of Monitor
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2005

Total fund balance - governmental funds		\$ 3,387,798
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	\$ 1,421,174	
Accumulated depreciation	<u>(903,275)</u>	517,899
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(111,987)	
Compensated absences	(12,271)	
Accrued interest payable is not included as a liability in governmental activities	<u>(3,417)</u>	<u>(127,675)</u>
Total net assets - governmental activities		<u>\$ 3,778,022</u>

See accompanying notes to financial statements.

Charter Township of Monitor
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2005

	General	Solid Waste	Sewage Disposal System	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>					
Taxes	\$ 377,743	\$ 419,331	\$ 289,617	\$ 0	\$ 1,086,691
Tap-in fees	0	0	205,339	0	205,339
Collection fees	142,196	0	0	0	142,196
State shared revenue	681,905	0	0	0	681,905
Special assessments levied	31,488	0	0	0	31,488
Hall rental	15,240	0	0	0	15,240
Interest	45,495	1,645	22,869	6,623	76,632
Licenses and permits	151,382	177	0	230,343	381,902
Other	34,641	0	0	0	34,641
Total revenues	<u>1,480,090</u>	<u>421,153</u>	<u>517,825</u>	<u>236,966</u>	<u>2,656,034</u>
<u>Expenditures</u>					
Legislative	36,968	0	0	0	36,968
General government	543,632	0	0	0	543,632
Public safety	539,215	0	0	182,450	721,665
Public works	249,325	0	0	0	249,325
Recreation activities	43,288	0	0	0	43,288
Sanitation	0	420,298	0	0	420,298
Other	0	0	65	96,852	96,917
Payment to enterprise fund for debt service	0	0	448,530	0	448,530
Total expenditures	<u>1,412,428</u>	<u>420,298</u>	<u>448,595</u>	<u>279,302</u>	<u>2,560,623</u>
Excess (deficiency) of revenues over expenditures	67,662	855	69,230	(42,336)	95,411
<u>Other Financing Sources</u>					
Payment from county	0	0	0	10,064	10,064
Proceeds from long-term debt	0	0	0	89,736	89,736
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>99,800</u>	<u>99,800</u>
Net change in fund balance	<u>67,662</u>	<u>855</u>	<u>69,230</u>	<u>57,464</u>	<u>195,211</u>
Fund balance - beginning of year as previously reported	1,667,487	73,855	903,815	580,889	3,226,046
Prior period adjustment	(33,459)	0	0	0	(33,459)
Fund balance - beginning of year as restated	<u>1,634,028</u>	<u>73,855</u>	<u>903,815</u>	<u>580,889</u>	<u>3,192,587</u>
Fund balance - end of year	<u>\$ 1,701,690</u>	<u>\$ 74,710</u>	<u>\$ 973,045</u>	<u>\$ 638,353</u>	<u>\$ 3,387,798</u>

See accompanying notes to financial statements.

Charter Township of Monitor
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balance - total governmental funds		\$ 195,211
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense	\$ (46,916)	
Capital outlay	<u>84,899</u>	37,983
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Proceeds from long-term debt - County drains	(58,989)	
Bonds payable	41,920	
Compensated absences	3,423	
Accrued interest payable is not included as a liability in governmental activities	<u>1,450</u>	<u>(12,196)</u>
Change in net assets of governmental activities		<u><u>\$ 220,998</u></u>

See accompanying notes to financial statements.

Charter Township of Monitor
Proprietary Funds
Statement of Net Assets
December 31, 2005

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 869,183	\$ 546,796	\$ 1,415,979
Accounts receivable - net	117,098	107,114	224,212
Interest receivable	4,585	4,249	8,834
Due from other governments	22,003	0	22,003
Prepaid expenses	1,195	1,254	2,449
Total current assets	<u>1,014,064</u>	<u>659,413</u>	<u>1,673,477</u>
Capital assets - at cost	4,967,052	13,219,303	18,186,355
Less allowance for depreciation	<u>(2,281,740)</u>	<u>(6,545,303)</u>	<u>(8,827,043)</u>
Net capital assets	<u>2,685,312</u>	<u>6,674,000</u>	<u>9,359,312</u>
Total Assets	<u>3,699,376</u>	<u>7,333,413</u>	<u>11,032,789</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	176,419	7,631	184,050
Accrued payroll	201	310	511
Accrued interest payable	4,155	13,577	17,732
Compensated absences	3,103	0	3,103
Bonds payable	91,500	500,576	592,076
Total current liabilities	<u>275,378</u>	<u>522,094</u>	<u>797,472</u>
Long-term Liabilities:			
Compensated absences	17,586	0	17,586
Bonds payable	326,085	1,001,152	1,327,237
Total long-term liabilities	<u>343,671</u>	<u>1,001,152</u>	<u>1,344,823</u>
Total Liabilities	<u>619,049</u>	<u>1,523,246</u>	<u>2,142,295</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	2,263,572	5,158,695	7,422,267
Unrestricted	<u>816,755</u>	<u>651,472</u>	<u>1,468,227</u>
Total Net Assets	<u>\$ 3,080,327</u>	<u>\$ 5,810,167</u>	<u>\$ 8,890,494</u>

See accompanying notes to financial statements

Charter Township of Monitor
Proprietary Funds
Statement of Revenues, Expenses and Change in Net Assets
For the Year Ended December 31, 2005

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Gross service charges	\$ 638,761	\$ 604,944	\$ 1,243,705
Water costs	307,731	0	307,731
Gross profit	331,030	604,944	935,974
Operating revenues:			
Service connections	15,760	0	15,760
Charges, fees, etc.	23,924	2,950	26,874
Total operating revenues	39,684	2,950	42,634
Operating expenses:			
Personal services	123,971	84,669	208,640
Utilities	1,886	11,226	13,112
Regional charges	0	517,180	517,180
Operation and maintenance	30,067	33,402	63,469
Administration	25,490	26,795	52,285
Fiscal and other charges	9,919	3,055	12,974
Depreciation	106,975	257,369	364,344
Total operating expenses	298,308	933,696	1,232,004
Operating income (loss)	72,406	(325,802)	(253,396)
Nonoperating revenues (expenses):			
Interest income	24,068	22,051	46,119
Interest expense	(17,953)	(88,342)	(106,295)
Payment to (from) local unit	(33,027)	448,530	415,503
Payment from county unit	29,952	0	29,952
Total nonoperating revenue (expense)	3,040	382,239	385,279
Change in net assets	75,446	56,437	131,883
Net assets - beginning of year	3,004,881	5,753,730	8,758,611
Net assets - end of year	\$ 3,080,327	\$ 5,810,167	\$ 8,890,494

See accompanying notes to financial statements

Charter Township of Monitor
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2005

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 643,298	\$ 608,187	\$1,251,485
Cash payments to suppliers for goods and services	(283,616)	(585,281)	(868,897)
Cash payments to employees for services	(123,234)	(84,359)	(207,593)
Other operating income	17,681	2,950	20,631
Net cash provided (used) by operating activities	254,129	(58,503)	195,626
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(78,750)	(469,290)	(548,040)
Interest paid on long-term debt	(19,183)	(95,501)	(114,684)
Payments from (to) local units	(3,075)	448,530	445,455
Net cash (used) by capital and related financing activities	(101,008)	(116,261)	(217,269)
Cash flows from investing activities:			
Interest and investment earnings	20,920	19,393	40,313
Net increase (decrease) in cash and cash equivalent	174,041	(155,371)	18,670
Cash and cash equivalents, beginning of year	695,142	702,167	1,397,309
Cash and cash equivalents, end of year	\$ 869,183	\$ 546,796	\$1,415,979

See accompanying notes to financial statements

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Charter Township of Monitor
Component Unit
Statement of Net Assets
December 31, 2005

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and investments	\$ 403,683
Taxes receivable	131,809
Capital assets	<u>510,622</u>
Total assets	<u>1,046,114</u>
<u>Liabilities</u>	
Accounts payable	60,434
Deferred revenue	131,809
Long-term liabilities:	
Due within one year	8,268
Due in more than one year	<u>2,900</u>
Total liabilities	<u>203,411</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	510,622
Unrestricted	<u>332,081</u>
Total net assets	<u>\$ 842,703</u>

See accompanying notes to financial statements

Charter Township of Monitor
 Component Unit
 Statement of Activities
For the Year Ended December 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Downtown Development Authority			
General government	\$ 125,688	\$ 0	\$ (125,688)
Total component unit	<u>\$ 125,688</u>	<u>\$ 0</u>	<u>(125,688)</u>
General Revenues:			
Taxes			181,661
Gain on sale of land			70,946
Interest and investment earnings			<u>7,635</u>
Total general revenues			<u>260,242</u>
Change in net assets			134,554
Net assets - beginning of year			<u>708,149</u>
Net assets - end of year			<u>\$ 842,703</u>

See accompanying notes to financial statements

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Monitor conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Monitor:

Reporting Entity

The Charter Township of Monitor (Township) was organized in 1869 and covers an area of approximately 38 square miles in Bay County, Michigan. The Township operates under an elected board (seven members) and provides services to its residents in many areas including fire protection, highways and streets, and sanitation. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

Discretely Presented Component Units – The component unit column in the combined financial statements, which represents the financial data of the Charter Township of Monitor Downtown Development Authority (Authority) is reported in a separate column to emphasize that it is legally separate from the Township. The Authority operates under the directorship of a board consisting of nine members appointed by the Charter Township of Monitor Board. The annual budget of the Authority is approved by the Charter Township of Monitor Board. The Authority cannot levy taxes or issue debt without the approval of the Charter Township of Monitor Board. The Authority was created to halt property value deterioration and the causes thereof, to increase property tax valuation, and to promote economic growth within the development district. The financial statements of the Authority can be obtained at 2483 E. Midland Road, Bay City, MI 48706.

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems for the calendar year 2005.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

The Government reports the following major funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Solid Waste Fund – The Solid Waste Fund is used to record transactions relative to the collection of the trash in the Township.

Sewage Disposal Fund – The Sewage Disposal Fund is used to record transactions for the support of the sewage system in the Township.

Bay County Department of Water and Sewer Enterprise Funds and Township Water Fund – These funds account for the activities of providing water and sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township. These funds are the Township's only proprietary funds.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building and land improvements	15 to 30 years
Vehicles	5 years
Equipment	5 to 7 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

Each Township department head submits to the supervisor an itemized estimate of the anticipated expenditures of the Township for the next fiscal year for the Township activities under his or her charge. The supervisor shall prepare a complete itemized proposed budget for the next fiscal year and submit it to the Township Board. A public hearing on the budget is to be held before its final adoption, at such time and place as the Township Board directs, and notice of such public hearing is to be published at least one week in advance by the Township Clerk.

A copy of the proposed budget shall be on file and available to the public for inspection during office hours at the office of the Township Clerk for a period of not less than one week prior to such public hearing. Then no later than December the Township Board shall, by resolution, adopt the budget for the next fiscal year and shall, in that resolution, make an appropriation of money needed for Township purposes during the ensuing fiscal year of the Township.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Solid Waste Fund and Sewage Disposal System Fund is presented as Required Supplemental Information.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 2 – BUDGETS (CONTINUED)

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Charter Township of Monitor incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
<u>Primary Government</u>			
Solid Waste Fund:			
Sanitation	\$ 420,231	\$ 420,298	\$ 67
<u>Component Unit</u>			
Special Revenue:			
Administration	48,000	51,288	3,288
Auditing	4,100	6,800	2,700
Maintenance	5,700	13,423	7,723
Legal fees – general	11,538	17,855	6,317
Property improvements	0	54,054	54,054
Public works – engineering	7,000	9,292	2,292
Debt service payments	14,863	15,052	189

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Government is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Government's deposits are in accordance with statutory authority.

At year-end, the Government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	<u>\$ 3,391,529</u>	<u>\$ 1,415,979</u>	<u>\$ 1,579,099</u>	<u>\$6,386,607</u>	<u>\$ 403,683</u>
Total	<u>\$ 3,391,529</u>	<u>\$ 1,415,979</u>	<u>\$ 1,579,099</u>	<u>\$6,386,607</u>	<u>\$ 403,683</u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 4,747,719
Deposits and investments held at the Department of Water and Sewer	1,415,979
Investments	626,517
Petty cash and cash on hand	<u>75</u>
Total	<u>\$ 6,790,290</u>

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2005, \$3,087,858 of the Township's bank balance of \$4,056,833 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2005, \$307,888 of the component unit's bank balance of \$403,888 was exposed to custodial credit risk. Business-type activity funds of \$1,415,979 are with the Department of Water and Sewer. The composition of deposits and investments and the amount of deposits covered by federal depository insurance cannot be determined.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 88,112	\$ 0	\$ 0	\$ 88,112
Capital assets being depreciated:				
Buildings and improvements	790,048	66,768	0	856,816
Vehicles	477,037	0	119,686	357,351
Equipment	100,764	18,131	0	118,895
Subtotal	<u>1,367,849</u>	<u>84,899</u>	<u>119,686</u>	<u>1,333,062</u>
Less accumulated depreciation for:				
Buildings and improvements	487,186	23,292	0	510,478
Vehicles	432,928	11,109	119,686	324,351
Equipment	55,931	12,515	0	68,446
Subtotal	<u>976,045</u>	<u>46,916</u>	<u>119,686</u>	<u>903,275</u>
Net capital assets being depreciated	<u>391,804</u>	<u>37,983</u>	<u>0</u>	<u>429,787</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 479,916</u>	<u>\$ 37,983</u>	<u>\$ 0</u>	<u>\$ 517,899</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated				
Land	\$ 8,787	\$ 0	\$ 0	\$ 8,787
Capital assets being depreciated:				
Water system	4,861,540	96,725	0	4,958,265
Sewer system	13,219,303	0	0	13,219,303
Subtotal	<u>18,080,843</u>	<u>96,725</u>	<u>0</u>	<u>18,177,568</u>
Less accumulated depreciation for:				
Water system	2,174,765	106,975	0	2,281,740
Sewer system	6,287,934	257,369	0	6,545,303
Subtotal	<u>8,462,699</u>	<u>364,344</u>	<u>0</u>	<u>8,827,043</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 9,626,931</u>	<u>\$ (267,619)</u>	<u>\$ 0</u>	<u>\$ 9,359,312</u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Component unit activities:</u>				
Capital assets not being depreciated:				
Land	\$ 611,410	\$ 0	\$ 154,842	\$ 456,568
Construction-in-process	0	54,054	0	54,054
	<u>\$ 611,410</u>	<u>\$ 54,054</u>	<u>\$ 154,842</u>	<u>\$ 510,622</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 21,542
Recreation	6,890
Public safety	<u>18,484</u>

Total governmental activities depreciation expense	<u>\$ 46,916</u>
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Business-type activities:

Water	\$ 106,975
Sewer	<u>257,369</u>

Total business-type activities depreciation expense	<u>\$ 364,344</u>
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Component unit activities:

Downtown Development Authority	<u>\$ 0</u>
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Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of inter-fund receivable and payable balances at December 31, 2005 and transfers made during the year ended December 31, 2005 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfer In (Out)</u>
General	\$ 226,661	\$ 0	\$ 0
Solid Waste	147,444	74	0
Sewage Disposal System	51,572	0	0
Liquor	0	4,300	0
Building	0	28,388	0
Harvest View	70	0	0
Briar Farms	390	855	0
Pepper Berry Creek	179	0	0
Rueger Farms	0	300	0
Rueger Farms II	0	300	0
Valley Center Tech Park	182	0	0
Crossroads	174	0	0
Tax Collection Agency	0	392,455	0
	<u>\$ 426,672</u>	<u>\$ 426,672</u>	<u>\$ 0</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 6 - LONG-TERM DEBT

The following details the Township's long-term debt:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<u>Primary Government</u>			
Bay County Columbia Drainage District Drain Bonds Series 1988, dated September 1, 1988, due in annual installments through 2008, bearing interest rates of 5.8% to 7.8%.	\$ 42,000	\$ (10,500)	\$ 31,500
Popp and Branches County Drainage District Note, due in annual installments of \$3,757 plus interest at 5.64% through 2006.	7,513	(3,757)	3,756
Hildebrandt-Anderson County Drainage District Note, due in annual installments of \$6,900 plus interest at 5.50% through 2006.	13,800	(6,900)	6,900
Weiss Meed County Drainage District Note, due in annual installments of \$12,181 plus interest at 3.67% through 2006.	24,361	(12,181)	12,180
Arnold County Drainage District Note, due in annual installments of \$1,208 plus interest at 5.75% through 2011.	7,244	(1,208)	6,036
Baxman County Drainage District Note, due in annual installments of \$7,374 plus interest of 4.16% through 2012.	0	51,615	51,615
Bay County Water Supply System 1987 Series General Obligation Bonds, dated February 1, 1987, due in annual installments through 2006, bearing interest rates of 5.0% to 8.0%.	140,250	(63,750)	76,500

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 6 - LONG - TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Capital Improvement Bonds, dated June 26, 2004, due in annual installments through 2023 with an interest rate of 2.5%.	\$ 266,349	\$ 74,736	\$ 341,085
Bay County West Side Regional Sewage Disposal General Obligation Bonds, dated July 1, 1978, due in annual installments through May 1, 2008, bearing interest rates of 5.5% to 7.5%.	<u>1,971,018</u>	<u>(469,290)</u>	<u>1,501,728</u>
	<u>2,472,535</u>	<u>(441,235)</u>	<u>2,031,300</u>
<u>Component Unit</u>			
Development agreement with John P. O'Brien and Ann M. O'Brien, dated July 1, 1999, for reimbursement of qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved.	5,078	(2,751)	2,327
Development agreement with Quantum Composites, Inc., dated February 3, 1998, for reimbursement of qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved.	7,089	(6,724)	365
Development agreement with Metro Fabricating, Inc., dated September 21, 1998, to reimburse up to \$38,899 for qualified costs related to handicapped accessibility. To be paid from 75% of the allowable tax increment revenues from this site being improved. Subject to the full payment of the development agreement with G & S Investment Company.	<u>14,053</u>	<u>(5,577)</u>	<u>8,476</u>
	<u>26,220</u>	<u>(15,052)</u>	<u>11,168</u>
Total	<u>\$ 2,498,755</u>	<u>\$ (456,287)</u>	<u>\$ 2,042,468</u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 6 – LONG -TERM DEBT (CONTINUED)

Long-term obligation activity is summarized as follows:

	Balance January 1, 2005	Additions	Retirements and Payments	Balance December 31, 2005	Amount Due Within One Year
Bonds	<u>\$2,498,755</u>	<u>\$ 148,725</u>	<u>\$ (605,012)</u>	<u>\$2,042,468</u>	<u>\$ 642,261</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-Type Activities		Component Unit Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 41,917	\$ 3,271	\$ 592,076	\$ 83,477	\$ 8,268	\$ 0
2007	19,082	1,344	515,576	49,450	2,900	0
2008	19,082	536	515,576	21,544	0	0
2009	8,582	208	15,000	7,402	0	0
2010	8,578	69	15,000	7,028	0	0
2011-2015	14,746	0	85,000	29,388	0	0
2016-2020	0	0	100,000	17,640	0	0
2021-2025	0	0	81,085	4,082	0	0
Total	<u>\$ 111,987</u>	<u>\$ 5,428</u>	<u>\$1,919,313</u>	<u>\$ 220,011</u>	<u>\$ 11,168</u>	<u>\$ 0</u>

NOTE 7 – PENSION PLAN

The Township has established the Charter Township of Monitor Group Pension Plan, a defined contribution, contributory retirement plan that covers substantially all employees of the Township. The plan requires a mandatory employee contribution of 5% of base pay and allows an additional participant contribution of up to 10% of base pay. The employer's contribution to the plan is 15% of base pay. The employer's pension expense for the year ended December 31, 2005 was \$73,241.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 8 - COMPENSATED ABSENCES PAYABLE

Vacation time is earned in varying amounts depending upon years of service and number of hours worked. Vacation time may not be accumulated beyond the year after it is earned. Accumulated vacation time is payable upon termination of employment.

Paid sick leave will be allowed for up to five days per calendar year on an "as required" basis. There shall be no payment for any unused sick time upon termination of employment or otherwise.

The Department of Water and Sewer has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 120 days. Union employees may either use these sick days when ill or receive payment for 70% of the unused portion at time of retirement. All other employees receive 85% of the unused portion at time employment is terminated. Employees are also allowed to accumulate unused vacation days. Employees can accumulate a maximum of 30 days to carry over at the end of the year. In addition, the DWS provides a longevity payment to all supervisory and administrative employees at time of retirement. The benefit is based on years of employment times one-third of monthly salary, with a maximum payment of six months of salary. The cost of this benefit is recognized when earned. The total liability for compensated absences was \$32,960.

NOTE 9 - RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	<u>Water Funds</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating income (loss)	\$ 72,406	\$ (325,802)	\$(253,396)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	106,975	257,369	364,344
Changes in assets and liabilities:			
Accounts receivable	4,537	3,243	7,780
Due from other governments	(22,003)	0	(22,003)
Prepaid expenses	(9)	(1,254)	(1,263)
Accounts payable	98,475	7,631	106,106
Accrued payroll	(678)	310	(368)
Compensated absences	1,415	0	1,415
Net cash provided (used) by operating activities	<u>\$ 261,118</u>	<u>\$ (58,503)</u>	<u>\$ 202,615</u>

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 10 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, property tax revenues received or accrued prior to meeting all eligibility requirements amounted to \$1,383,735.

NOTE 11 - TAX INCREMENTAL FINANCING PROCEDURES

The tax increment financing procedure is outlined in Public Act 197 of 1975, as amended. It allows the Monitor Township Downtown Development Authority to receive a portion of the taxes created as a result of increased property values over a base year value on property located within the district. These property taxes are collected by the Monitor Township Treasurer who then pays the collected taxes to the Treasurer of the Authority. Taxes are levied and become an enforceable lien on property on July 1 and December 1 and payable on September 14 and February 28. The Authority recognizes the tax revenues when they are due and payable.

For 2005, the DDA collected 75% of the tax increment finances that they are eligible to receive. The other 25% is to be forwarded to the other taxing entities. The DDA Board determines the percentage to be received on an annual basis based on the budget approved by the Monitor Township Board of Trustees.

NOTE 12 - RISK FINANCING AND RELATED INSURANCE ISSUES

The risk of loss to which the Township and Downtown Development Authority is exposed and for which it has purchased insurance is for liability only. There have been no significant reductions in insurance coverage as compared to the previous year.

Charter Township of Monitor
Notes to Financial Statements
For the Year Ended December 31, 2005

NOTE 13 - RELATED PARTY TRANSACTIONS

The Authority has an agreement with the Bay County Growth Alliance, Inc. (Alliance), in which the Alliance provides administrative, marketing and accounting services to the DDA. The DDA remitted \$20,000 to the Alliance for administrative services during the year ended December 31, 2005. This agreement was terminated during the year ended December 31, 2005.

In 2005, the Township entered into an agreement with the DDA in which the Township provides administrative services to the DDA. The Township is responsible for paying the DDA's sole employee wages and employee fringe benefits and withhold applicable payroll taxes. The agreement requires the DDA to reimburse the Township for the costs of the DDA's employee and supplies used, plus a 10% administrative fee. Under this arrangement, the DDA paid the Township approximately \$33,500 in 2005.

The DDA has a development agreement with Quantum Composites, Inc. and another agreement with John P. O'Brien and Ann M. O'Brien for reimbursement of qualified costs related to handicapped accessibility. The President of Quantum Composites and John P. O'Brien are board members of the DDA. See Note 6 for details of these agreements.

The DDA is a member of the Valley Center Technology Park Owners Association (Association). The Association provides for maintenance and improvements related to Valley Center Technology Park assets owned or controlled by the Association. The DDA paid the Association approximately \$10,000 during the year ended December 31, 2005. The DDA contributed to the Association at a rate of approximately 35%, which is their approximate share of land ownership with the Association.

NOTE 14 - PRIOR PERIOD ADJUSTMENT

The fund balance of the General Fund was corrected for an error of a deposit directed by the State of Michigan to be included in the General Fund. This amount should have been included in the DDA. The total amount of the deposit was recorded as revenue in 2001.

Charter Township of Monitor
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 372,137	\$ 372,137	\$ 377,743	\$ 5,606
Collection fees	131,405	131,405	142,196	10,791
State shared revenue	690,064	690,064	681,905	(8,159)
Special assessments levied	30,309	30,309	31,488	1,179
Hall rental	12,000	12,000	15,240	3,240
Interest	7,500	7,500	45,495	37,995
Licenses and permits	124,300	124,300	151,382	27,082
Other	18,000	18,000	34,641	16,641
Total revenues	1,385,715	1,385,715	1,480,090	94,375
<u>Expenditures</u>				
Legislative	46,165	46,165	36,968	9,197
General government	662,696	663,196	543,632	119,564
Public safety	566,661	582,261	539,215	43,046
Public works	331,937	331,937	249,325	82,612
Recreation activities	60,146	60,146	43,288	16,858
Total expenditures	1,667,605	1,683,705	1,412,428	271,277
Net change in fund balance	(281,890)	(297,990)	67,662	365,652
Fund balance - beginning of year as previously reported	1,667,487	1,667,487	1,667,487	0
Prior period adjustment	(33,459)	(33,459)	(33,459)	0
Fund balance - beginning of year as restated	1,634,028	1,634,028	1,634,028	0
Fund balance - end of year	\$ 1,352,138	\$ 1,336,038	\$ 1,701,690	\$ 365,652

Charter Township of Monitor
 Required Supplemental Information
 Budgetary Comparison Schedule - Solid Waste Fund
For the Year Ended December 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 419,331	\$ 419,331	\$ 419,331	\$ 0
Licenses and permits	250	250	177	(73)
Interest	1,500	1,500	1,645	145
Total revenues	421,081	421,081	421,153	72
<u>Expenditures</u>				
Sanitation	419,931	420,231	420,298	(67)
Total expenditures	419,931	420,231	420,298	(67)
Net change in fund balance	1,150	850	855	5
Fund balance - beginning of year	73,855	73,855	73,855	0
Fund balance - end of year	<u>\$ 75,005</u>	<u>\$ 74,705</u>	<u>\$ 74,710</u>	<u>\$ 5</u>

Charter Township of Monitor
Required Supplemental Information
Budgetary Comparison Schedule - Sewage Disposal System Fund
For the Year Ended December 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 289,617	\$ 289,617	\$ 289,617	\$ 0
Tap-in fees	90,000	90,000	205,339	115,339
Interest	5,000	5,000	22,869	17,869
Total revenues	384,617	384,617	517,825	133,208
<u>Expenditures</u>				
Other	200	200	65	135
Payment to enterprise fund for debt service	564,800	564,800	448,530	116,270
Total expenditures	565,000	565,000	448,595	116,405
Net change in fund balance	(180,383)	(180,383)	69,230	249,613
Fund balance - beginning of year	903,815	903,815	903,815	0
Fund balance - end of year	<u>\$ 723,432</u>	<u>\$ 723,432</u>	<u>\$ 973,045</u>	<u>\$ 249,613</u>

Charter Township of Monitor
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	<u>Special Revenue Funds</u>			
	<u>Liquor Control</u>	<u>Building</u>	<u>Capital Projects</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments	\$ 5,063	\$ 420,279	\$ 264,940	\$ 690,282
Total assets	<u>\$ 5,063</u>	<u>\$ 420,279</u>	<u>\$ 264,940</u>	<u>\$ 690,282</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accrued liabilities	\$ 0	\$ 19,241	\$ 0	\$ 19,241
Due to governmental funds	<u>4,300</u>	<u>28,388</u>	<u>0</u>	<u>32,688</u>
Total liabilities	4,300	47,629	0	51,929
<u>Fund Balance</u>				
Reserved	<u>763</u>	<u>372,650</u>	<u>264,940</u>	<u>638,353</u>
Total Liabilites and Fund Balance	<u>\$ 5,063</u>	<u>\$ 420,279</u>	<u>\$ 264,940</u>	<u>\$ 690,282</u>

Charter Township of Monitor
Other Supplemental Information
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	<u>Special Revenue Funds</u>		<u>Capital</u>	
	<u>Liquor</u>	<u>Building</u>	<u>Projects</u>	<u>Totals</u>
	<u>Control</u>			
<u>Revenues</u>				
Licenses and permits	\$ 4,531	\$ 190,592	\$ 35,220	\$ 230,343
Interest	4	3,246	3,373	6,623
Total revenues	4,535	193,838	38,593	236,966
<u>Expenditures</u>				
Public safety	4,300	178,150	0	182,450
Other	91	0	96,761	96,852
Total expenditures	4,391	178,150	96,761	279,302
Excess (deficiency) of revenues over expenditures	144	15,688	(58,168)	(42,336)
<u>Other Financing Sources</u>				
Payment from county unit	0	0	10,064	10,064
Proceeds from long-term debt	0	0	89,736	89,736
Total other financing sources	0	0	99,800	99,800
Net change in fund balance	144	15,688	41,632	57,464
Fund balance - beginning of year	619	356,962	223,308	580,889
Fund balance - end of year	\$ 763	\$ 372,650	\$ 264,940	\$ 638,353

Charter Township of Monitor
Other Supplemental Information
Combining Balance Sheet
Proprietary Water Fund
December 31, 2005

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 869,183	\$ 0	\$ 869,183
Accounts receivable - net	117,098	0	117,098
Interest receivable	4,585	0	4,585
Due from other governments	22,003	0	22,003
Prepaid expenses	1,195	0	1,195
Total current assets	<u>1,014,064</u>	<u>0</u>	<u>1,014,064</u>
Capital assets - at cost	4,588,978	378,074	4,967,052
Less allowance for depreciation	<u>(2,279,640)</u>	<u>(2,100)</u>	<u>(2,281,740)</u>
Net capital assets	<u>2,309,338</u>	<u>375,974</u>	<u>2,685,312</u>
Total Assets	<u>3,323,402</u>	<u>375,974</u>	<u>3,699,376</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	176,419	0	176,419
Accrued payroll	201	0	201
Accrued interest payable	2,029	2,126	4,155
Compensated absences	3,103	0	3,103
Bonds payable	76,500	15,000	91,500
Total current liabilities	<u>258,252</u>	<u>17,126</u>	<u>275,378</u>
Long-term Liabilities:			
Compensated absences	17,586	0	17,586
Bonds payable	0	326,085	326,085
Total long-term liabilities	<u>17,586</u>	<u>326,085</u>	<u>343,671</u>
Total Liabilities	<u>275,838</u>	<u>343,211</u>	<u>619,049</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	2,230,809	32,763	2,263,572
Unrestricted	<u>816,755</u>	<u>0</u>	<u>816,755</u>
Total Net Assets	<u>\$ 3,047,564</u>	<u>\$ 32,763</u>	<u>\$ 3,080,327</u>

Charter Township of Monitor
Other Supplemental Information
Combining Statement of Revenues, Expenses, and Changes
in Net Assets - Proprietary Water Fund
For the Year Ended December 31, 2005

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
Gross service charges	\$ 638,761	\$ 0	\$ 638,761
Water costs	<u>307,731</u>	<u>0</u>	<u>307,731</u>
Gross profit	<u>331,030</u>	<u>0</u>	<u>331,030</u>
Operating revenues:			
Service connections	15,760	0	15,760
Charges, fees, etc.	<u>23,924</u>	<u>0</u>	<u>23,924</u>
Total operating revenues	<u>39,684</u>	<u>0</u>	<u>39,684</u>
Operating expenses:			
Personal services	123,971	0	123,971
Utilities	1,886	0	1,886
Operation and maintenance	30,067	0	30,067
Administration	25,490	0	25,490
Fiscal and other charges	9,919	0	9,919
Depreciation	<u>104,875</u>	<u>2,100</u>	<u>106,975</u>
Total operating expenses	<u>296,208</u>	<u>2,100</u>	<u>298,308</u>
Operating income (loss)	<u>74,506</u>	<u>(2,100)</u>	<u>72,406</u>
Nonoperating revenues (expenses):			
Interest income	24,068	0	24,068
Interest expense	(9,529)	(8,424)	(17,953)
Payment to local unit	(33,027)	0	(33,027)
Payment from county unit	<u>0</u>	<u>29,952</u>	<u>29,952</u>
Total nonoperating revenue (expense)	<u>(18,488)</u>	<u>21,528</u>	<u>3,040</u>
Change in net assets	56,018	19,428	75,446
Net assets - beginning of year	<u>2,991,546</u>	<u>13,335</u>	<u>3,004,881</u>
Net assets - end of year	<u>\$ 3,047,564</u>	<u>\$ 32,763</u>	<u>\$ 3,080,327</u>

Charter Township of Monitor
 Other Supplemental Information
 Combining Statement of Cash Flows
 Proprietary Water Fund
For the Year Ended December 31, 2005

	<u>DWS</u>	<u>Township</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 643,298	\$ 0	\$ 643,298
Cash payments to suppliers for goods and services	(276,627)	(6,989)	(283,616)
Cash payments to employees for services	(123,234)	0	(123,234)
Other operating income	17,681	0	17,681
Net cash provided (used) by operating activities	<u>261,118</u>	<u>(6,989)</u>	<u>254,129</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(63,750)	(15,000)	(78,750)
Interest paid on long-term debt	(11,220)	(7,963)	(19,183)
Payments from (to) local units	(33,027)	29,952	(3,075)
Net cash provided (used) by capital and related financing activities	<u>(107,997)</u>	<u>6,989</u>	<u>(101,008)</u>
Cash flows from investing activities:			
Interest and investment earnings	20,920	0	20,920
Net increase in cash and cash equivalents	174,041	0	174,041
Cash and cash equivalents, beginning of year	<u>695,142</u>	<u>0</u>	<u>695,142</u>
Cash and cash equivalents, end of year	<u>\$ 869,183</u>	<u>\$ 0</u>	<u>\$ 869,183</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

April 28, 2006

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Township Board
Charter Township of Monitor
Bay City, Michigan

In planning and performing our audit of the financial statements of Charter Township of Monitor for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all internal control matters that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

In addition, we have the following comments and suggestions for your consideration.

Employee Handbook

As part of the audit of the financial statements, we are required to obtain and document our understanding of the internal controls of the Township. With respect of payroll and related fringe benefits, the employee handbook is an essential element. It was noted during our inquiries to update our documentation of the payroll cycle, that differing versions of the employee handbook are present. As a result, confusion has developed when applying conflicting or inconsistent sections.

We recommend that the Township undertake as a project to review and update its employee handbook. This will provide a firm basis to conduct Township business and resolve employee compensation and fringe benefits issues in the future.

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WEINLANDER FITZHUGH

Township Board
Charter Township of Monitor
April 28, 2006
Page 2

Wage and Hour Laws and Regulations

The State of Michigan has set forth wage and hour laws and regulations to help employers administer payroll related activities. These laws and regulations help provide guidance to administer the compensation of employees who are paid on an hourly basis. It was noted that on occasion, hourly employees obtain authorization to fill in for fellow employees who cannot work certain periods of time. These hourly employees who work the specified time are not compensated for their hours worked. The compensation is provided to the hourly employee who was originally scheduled for the time.

We recommend that the Township re-examine its compensation policy of hourly employees under these circumstances. Payment to the hourly employees who physically perform the work and duties during a specified pay period are required to conform with state wage and hour laws and regulations. In addition, this payment will eliminate the possible exposure to hourly employees for uncompensated hours worked.

This report is intended for the information of the Township Board, management, the State of Michigan and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh